

ASIAN BUSINESS NEWS

India to Operate Venezuelan Field As Two Nations Strengthen Ties

REUTERS NEWS SERVICE
March 7, 2005

NEW DELHI -- India clinched a deal to operate an oil field in Venezuela, importing its output as the two countries vowed to strengthen ties, officials said.

Venezuelan President Hugo Chávez said Saturday in New Delhi that Petróleos de Venezuela SA and ONGC Videsh Ltd., a subsidiary of India's state-run exploration firm, signed a deal to jointly explore and produce oil in Venezuela, the world's fifth-largest oil exporter.

"We have already chosen a specific field where we will start drilling," Mr. Chávez said. "This oil will come to India," Asia's third-largest consumer of oil after China and Japan.

India and Venezuela signed a deal to cooperate in the sector, paving the way for Oil & Natural Gas Corp., or ONGC, and gas-transmission firm Gail India Ltd. to bid for exploration blocks in Venezuela, officials said.

"Within the overall framework, the specific agreement is [ONGC Videsh's] negotiation on nomination basis for the San Cristobal oil field," Indian Oil Minister Mani Shankar Aiyar said.

He said the field has the potential to produce 100,000 barrels a day. "According to Venezuelan law, they will keep 51%, we will receive 49% plus operatorship," he said.

On Friday, Mr. Aiyar said India would also offer Venezuela equity in Mangalore Refinery & Petrochemicals Ltd., the refining subsidiary of ONGC.

Mr. Chávez said he wanted Venezuela to be a long-term supplier of crude to India and welcomed Indian investment in his country. "All major oil and gas companies are there," he said. "Chinese companies are there; Indian companies are not there. India needs energy, and energy is there to be shared with the rest of the world, you specially."

India's sole private refiner, Reliance Industries Ltd. has imported Venezuelan crude in recent years, but state-run firms haven't processed oil from the country.

The Indian minister said Mangalore Refinery could process Venezuelan crude and other oil firms were assessing which grades of oil from the country they could refine.

India, which imports 70% of its crude, consumed 2.46 million barrels a day in 2004 and is expected to use 2.53 million barrels a day this year, according to estimates from the International Energy Agency.

The country is likely to import 85% of its consumption in the next two decades as its economy grows between 7% and 8% a year, encouraging ONGC to compete with China for foreign oil projects.

In January, Beijing and Caracas signed energy accords that aimed to make China, Asia's largest oil consumer, a major player in the Venezuelan oil and gas industry.

Venezuela ships more than half its daily output to the U.S. in a decades-old energy relationship.

But Mr. Chávez, a strong critic of Washington, has made clear he wants to diversify his country's overseas energy ties to reduce its economic dependence on the American market.